

- 1 -

I. INTRODUCTION

The National Chamber's special Committee on the Communist Economic Offensive was formed for the purpose of examining the import of the communist aid and trade offensive to American business. Committee sessions were held in Washington in March and May of 1959.

Business and national interests are inseparably interwoven. The interplay between economic and political factors in foreign policy has never been so close as today, and presents corporate management engaged in overseas operations with a responsibility to both the stockholder and the nation.

This report is based on the conviction that American business can play a dynamic role in promoting the national interest abroad through enlightened and imaginative pursuit of its own interests.

The report seeks to (1) outline the implications of communism's new economic drive which should be of concern to American business, and (2) provide guidelines for more effective action by private business in responding to the Sino-Soviet challenge.

We recognize that private initiative must operate within a framework of sound governmental institutions and policies. The primary focus of the report, however, is not government policy but independent private enterprise action which can help to counter the Sino-Soviet threat. We believe that the impetus behind an effective and lasting business response to the communist challenge must be found in the structure of American business life.

The report is the result of a group effort. Not every member of the Committee subscribes to every detail. There are omissions of material which some would have included. The report represents, however, a fair composite of our judgments.

- 2 -

The Committee wishes to express its gratitude to the National Chamber staff, particularly to Dr. J. Warren Nystrom and Mr. Peter Malof of the International Relations Department.

Special Committee on the Communist Economic Offensive

Erwin D. Canham - Chairman
Editor
The Christian Science Monitor

Robert Loring Allen
Department of Economics
University of Virginia

Russell Baker
Baker, McKenzie & Hightower

William C. Foster
Vice President
Olin Mathieson Chemical Corporation

W. R. Herod
President
International General Electric Company

Milton Katz
Director
International Legal Studies
Law School of Harvard University

Klaus Knorr
Center of International Studies
Princeton University

Stacy May
International Basic Economy Corporation

George C. McGhee
President
McGhee Production Company

Forrest D. Murden
Standard Oil Company (N.J.)

L. D. Stinebower
Executive Assistant to the Chairman
Standard Oil Company (N.J.)

Robert Strausz-Hupe
Director
Foreign Policy Research Institute
University of Pennsylvania

J. Warren Nystrom - Secretary
Manager
International Relations Department
Chamber of Commerce of the United States

Peter Malof
International Relations Department
Chamber of Commerce of the United States

- 3. -

II. IMPLICATIONS OF THE COMMUNIST ECONOMIC OFFENSIVE

The significance of the Sino-Soviet economic drive against the free world cannot be appraised in strictly economic terms. The economic offensive has an impact far out of proportion to the amounts of resources involved, and must be viewed against the total range of the communist challenge.

A. The Nature of the Offensive

1. The Sino-Soviet bloc, engaged in a vigorous program to expand its economic relations with the non-communist world, is emerging as a new force in the world economy. The volume and diversity of its foreign economic contacts is increasing. Accompanying the expansion of commodity trade is a growth in international credit.

While this economic drive has focused primarily on the less developed and politically uncommitted nations of the world, an expansion of trade with the industrial nations of the West is also being pressed. Soviet exports have already invaded a number of American markets abroad and even at home at prices which domestic firms could not match.

2. The new Sino-Soviet role in world trade and international investment reflects the rapid growth in Soviet output and productivity as well as the determination of the communist bloc to employ its growing economic and industrial capacities as a means for backing up its foreign policy.

3. But the potential threat of the communist "trade and aid" program lies not so much in its size as in the ability of the bloc to stretch its resources far beyond their significance in world commerce.

- 4 -

Since 1954, the bloc has agreed to loan about \$1.6 billion for economic development to selected less developed countries. About 10 to 15 percent of this amount has been delivered. Bloc credits for military aid, for the most part fulfilled by deliveries, total close to \$800 million. While bloc trade has expanded rapidly, it continues to account for little more than 10 percent of world trade.

Although the bloc's trade and aid effort may not seem impressive in terms of the total world movements of goods and money, it could serve as a potent lever for disrupting free-world economic and political ties, undermining the position of free enterprise in commerce, and for enhancing the communist power position in the world.

An assessment of the danger posed by the communist economic offensive must take into account the following factors:

a. The economic offensive does not operate in isolation, but is strategically and tactically coordinated with political, diplomatic, psychological, and military operational techniques for conducting foreign relations. It is only one component of what might be described as a highly organized system designed to wage protracted political warfare and to extend Soviet power and influence by essentially non-military means.

b. The centralization of foreign trade enables the USSR to disregard traditional trade patterns and practices to break a market price structure without advance notice. The prices at which communist goods are traded in international markets need not reflect the cost-price relations within the bloc. Whether dictated by political motives or by a desire to import commodities which are inconvenient to produce domestically, to dispose of a surplus, or to obtain foreign exchange, the willingness of the Soviet bloc to supply goods at bargain prices or to import goods at concession prices can bring considerable disorder and disruption to world markets.

- 5 -

c. Soviet bloc foreign economic programs are highly selective and geared to exploit opportunities and weaknesses in the free world as they may arise. A few strategically located less developed countries have been selected for particular emphasis. These countries are becoming increasingly dependent on bloc trade for export markets and for imports. Soviet credit agreements with the less developed countries often concentrate on a few major projects which are highly symbolic of industrial progress, such as Egypt's Aswan Dam and India's Bhilai steel plant.

d. The ability of the USSR to make indigenous forces in the less developed world serve its own power interests is enhanced by the timely and strategically placed use of only small amounts of resources. To capitalize on the weaknesses of new nations striving for modern economic and political status, the communists need only fan the fires of local ambitions, frustrations, grievances, and revolts against real or imagined injustices.

Fundamental to the communist approach is a skillful exploitation of the ambivalence with which many less developed countries view the West -- admiration for Western industrial achievements coupled with antagonism toward Western institutions associated with colonial rule. The Soviets spare no effort to inflame old hatreds and to persuade the less developed countries that communist aid brings the gifts of industrialization to all formerly colonial peoples and at the same time drastically reduces the need for close ties with the West.

While the bloc's foreign economic programs have been neither massive nor free from mistakes, they have had considerable effect in impressing upon newly developing nations the prowess of Soviet industry, the alleged

- 6 -

identity of basic aspirations held by the USSR and all backward regions, and the argument that the key to economic development and maturity is provided by the Sino-Soviet example.

e. The specific tactics employed by the USSR in offering economic assistance are designed to make the overtures from the bloc appealing to peoples impatient for progress. A particular country is promised what it says it wants. Proposed projects require little justification. Aid offers seldom take the form of outright grants which could be misunderstood as acts of charity. Credit terms are very attractive. Detailed plans, technical missions, and teams of experts are delivered promptly with an appearance of brisk communist efficiency.

f. The Communist strategy -- support of local aspirations coupled with psychological exploitation of internal weaknesses and temptations -- tends to divert the energies of recipient nations from the actual tasks of modernization and to weaken their long-run ability to resist persistent communist pressure.

There is some doubt whether the bloc, in extending aid, is basically interested in stability or economic improvement. In some cases at least, communist aid may promote such waste of scarce capital resources that resultant fiscal confusion, growing inflation, and economic distress could prepare the way for a communist take-over.

The bloc often avoids accountability when specific projects do not meet genuine needs or when they hamper balanced economic growth. Thus, blame for failure can be placed on local national leaders, and consequent economic hardships can lend weight to the argument that non-bloc governments, even with communist aid, are unable to satisfy popular demands for progress, and must inevitably give way to communist-type institutions.

- 7 -

4. The above is not to imply that economic considerations or motives do not play an important, and sometimes predominant, role in Soviet aid and trade decisions, or that communist foreign economic activities are at all times inimical to the West. Structural changes in the USSR economy indicate that Soviet commercial dealings with industrial and less developed countries are often economically advantageous to the Soviet Union.

It is important to recognize, however, that both economic and political considerations are operative in Soviet policies. The economic position of the USSR today is such that its economic and political interests coincide in many foreign economic undertakings. The present needs of the Soviet economy thus add flexibility to Soviet policies abroad and potency to the communist drive for power.

B. Soviet Capabilities and Prospects

1. The USSR may well consider a massive aid and trade program neither necessary nor desirable. It has the capability, however, to mount and maintain a much larger economic offensive.

2. Soviet industrial capacity -- the base of the economic penetration program -- continues to undergo a feverish growth.

It should be emphasized that the growth of Soviet output and productivity is not due to any intrinsic virtues of the Soviet system, but to the communist regime's ability to ruthlessly mobilize available human and material resources for national policy purposes. Only a small proportion of the Soviet national income goes into consumption. By manipulating various techniques of compulsion, incentives, and indoctrination, the communist rulers have been able to concentrate their resources on industrial and military growth without regard to costs or to consumer needs or wants.

- 8 -

While the present rate of Soviet growth will probably decline in the future, it is likely to be much faster, barring extraordinary developments, than the average rate of growth in the United States. A continued high rate of Soviet economic growth over the next half century could result not only in a decline of private enterprise in international trade and investment, but in a relative gain in the economic power of the communist bloc, with profound implications for the present balance of world power.

3. In the last analysis, however, the threat to the security and survival of the free world lies not simply in rapid Soviet economic growth but in the determination of the communist leaders to persist in policies of political and economic aggression.

There is little to indicate that the Soviet system will mellow and abandon its long-range goals of world domination. The Soviet system has shown a marked ability to adjust and adapt to changing times without sacrificing its basic totalitarian character.

While the industrial maturation of the USSR can be expected to produce important changes in Soviet society, these changes are likely to make the USSR more, rather than less, of a challenge to the free world. The Soviet regime may become more responsive to the needs and desires of its people. This, in fact, appears to have been the direction of Soviet domestic reforms since Stalin's death. Improvements in the operation of the Soviet economy may also occur as a result of changes now taking place in Soviet economic planning and thinking (for example, decentralization of economic administration, reforms in pricing and incentive systems, stepped-up scientific research, and increased application of mathematics to complex economic problems).

- 9 -

It is unlikely that these changes will lead to a basic transformation of the Soviet system, or seriously change the underlying communist principles of absolute political dominance in the control and direction of economic and other life. Soviet totalitarianism will probably emerge as a more efficient and formidable opponent on the world stage.

4. Since little chance exists for a change in basic Soviet goals, it is vital that the free world mobilize both private and public interests for the competitive struggle that is likely to continue into the indefinite future. In the economic field, the United States can do much to maintain and increase its strength by harnessing its enterprise system to work in its own behalf.

5. The success with which the free world organizes itself to develop and sustain policies that bracket the entire spectrum of the communist challenge may well determine whether or not the USSR will emerge as the dominant world power.

C. The Challenge of Communist Trade

1. On purely economic grounds, it would appear that the communist role in world trade does not represent an immediate economic threat to the United States. Soviet competition in American export markets is marginal; Soviet pre-emption of supplies presently imported by the United States is also marginal.

2. Nevertheless, the continued expansion of bloc trade with the free world could have serious long-term economic implications. The time to prepare for them is now.

3. Unsettling communist trade practices which disregard traditional commercial techniques and customs may become an increasingly important feature of the world economy if the bloc continues to find its interests served by greater participation in world trade. Bloc countries, to the degree they con-

- 10 -

sider useful to their aims, can and do underprice competitors by exporting goods at below-cost prices.

4. A further challenge to be taken seriously arises from the potential ability of the USSR to genuinely undersell competitors in "normal" international commercial transactions. A growing number of Soviet exports are apt to be offered at low prices reflecting high productivity rather than price manipulation if the USSR continues to make rapid production gains.

D. The Challenge of Economic Growth

1. In view of the critical importance of less developed countries to the distribution of world power, the problems of economic growth in the less developed areas of the world present the industrialized West with a special challenge.

2. A Western response to the needs of the less developed countries should not be based on hopes for effecting a rapid or decisive improvement in their standards of living or on illusions that economic advance by itself will promote the growth of democratic institutions. With the best of efforts, improvement is likely to be slower than might be wished.

3. The economic development of less developed countries may at times lead not to stability, but to extreme social stress and upheaval. It often implies a fundamental disintegration of traditional loyalties and beliefs, requiring drastic readjustments in the modes and patterns of life. The enormous tension generated by rapid changes can serve in some areas as an opening wedge for communist subversion.

- 11 -

4. But the absence of economic development can lead to even larger social stress and upheaval. While a Western contribution to the growth of newly developing nations may entail many uncertainties and risks, the risk of communist penetration and domination is far greater if we fail to broaden the alternatives open to these nations for their national development.

5. The goals of economic growth in the less developed world should be pursued, publicly and privately, with a realistic recognition that it may be many years before we know whether any real headway is being made and that the gap between Western contributions and local expectations will remain wide.

- 12 -

III. THE FRAMEWORK FOR PRIVATE ACTION

Although business must meet the communist challenge and the problems of world economic and social progress on its own terms, it is essential to recognize the precondition for effective private action:

1. There are certain tasks which must be satisfactorily performed by governments, if men, money, and materiel are to move freely to where they can make the best contribution to world economic growth. Individuals operating through the market cannot be expected to develop completely the political and legal foundations for economic activity or to determine a nation's commercial policies.

2. Many of the leadership functions in world trade and finance once performed by 19th century British commerce have shifted, in greatly altered relationships, to the United States. Great Britain played a crucial role in the development of nations throughout the world when it served as an international financial center in the world's trading system. A fundamental challenge to the United States is to find the means to perform a similar role in the world economy today.

3. A high level of international trade and investment should be recognized as the principal means of promoting the growth and cohesiveness of the community of free nations. It is vital that the United States, in collaboration with other nations, continuously seek to develop the international foundations for a dependable flow of investment and trade.

4. To facilitate the flow of private investment to less developed countries, the United States should pursue a clear, active and consistent national policy with respect to the protection of American citizens and business interests, including investments in productive and distributive facilities in foreign

- 13 -

countries. Proposals for reasonable and equitable tax concessions as a method for encouraging increased private investment abroad should receive active consideration and support.

5. To counter the monopolistic trading practices of the communist bloc, the United States should seriously explore with other free world nations the possibilities of combined action in resisting "unfair" communist competition.

- 14 -

IV. COUNTERACTIONS BY BUSINESS ENTERPRISE

There are compelling reasons why American business should make a concerted effort to meet the Sino-Soviet economic and political threat by working for the development and security of the United States and the rest of the free world.

A. Motives for Business Action

1. Segments of American business have already felt the effects of communist competition in a widening range of world markets as well as stepped-up communist warfare on Western private investment in less developed countries. The USSR is openly urging Asians and Africans to follow the pattern set by the Indonesian seizure of Dutch assets and the Egyptian nationalization of the Suez Canal in an apparent effort to block substantial future private investment in the less developed areas.

2. The entire business community is affected, however, because the communist economic attack is directed at the very concept and system of American free enterprise. At the heart of what may appear merely as economic competition is a fundamental struggle between two systems.

3. American business has unique opportunities and responsibilities in engaging the Soviets in economic competition since many of our economic assets as a nation -- industrial ability, skills, and capital -- reside in private hands.

4. The failure of business to respond creatively and dynamically to the economic challenges posed by Soviet policy could result in an increasing concentration of economic power in government hands at the expense of internal freedom. To wage economic warfare with the communists on their own terms, with the government making all the major decisions on trade and investment, would be to threaten the very institutions and values we are endeavoring to preserve.

- 15 -

5. American business, however, must be expected to respond primarily in terms of its own interests, broadly defined. The enlightened self-interest of American enterprise can be counted upon to create the conditions necessary for its own survival and expansion.

But it is important to distinguish the narrow interpretation of self-interest -- the search for immediate profits -- from self-interest in the broader sense. The latter includes a recognition of and response to a wide range of national and social responsibilities which must be fulfilled in order to provide the framework within which the enterprise system can operate.

At the same time, it should be recognized that conflicts between private and national interests can and do exist, and that the government has a formidable role to play in fulfilling national responsibilities.

B. Business Action at Home

1. A major challenge to American business at home is to achieve high and stable levels of production and employment.

2. Sustained and rapid growth in the American economy is essential if the United States is to prosper and maintain its position of leadership in the world.

3. Such growth must be achieved without the sacrifice of political or economic freedoms. Ways must be found to generate greater efficiency and more rapid productivity gains under our democratic form of organization of government and industry while avoiding the perils of inflation. This will require a concerted effort on the part of both business and labor.

4. In order to insure management practices that reduce costs and combine efficiency and high productivity with freedom, American business should seriously consider the need for a systematic review and revision of existing production, managerial, and marketing systems. The business community should

- 16 -

support those government policies which seek to maintain property and economic decision-making in private hands, to foster decentralized decision-making, and to eliminate restrictions on production and trade.

5. It is also vital that the business community re-dedicate itself to the future of America by contributing more vigorously to the well being of the environment in which business must operate. This includes business support of educational, scientific, and welfare activities, as well as active participation in the political life of the country.

Despite the tremendous growth in the magnitude of corporate giving during the past decade, further efforts are needed to give method, direction, and purpose to defined philanthropic undertakings that fit the corporation's interests, capacities, and responsibilities. The basic needs of society should be subjected to searching investigation in the development of contribution policies and procedures.

The needs of education in the United States are especially urgent. While the increase in corporate support of educational institutions is one of the outstanding trends in company philanthropy today, the plight of education remains serious. American business has a vital stake in the successful solution of the financial problems now confronting universities and colleges, as well as in the qualitative improvement of education at all levels.

6. There is also much that American business can do at home to promote the effective representation of the United States overseas, including such things as the following:

a. Making funds available to schools of business administration, as well as liberal arts schools, for fellowships and scholarships for students planning to work overseas.

- 17 -

b. Contributing to the support of specialized schools concerned with foreign relations.

c. Participating in exchange of persons programs designed to increase understanding by foreign nationals of our country and way of life and understanding by our citizens of other countries.

d. Sponsoring publications designed to explain to foreign peoples the nature of free enterprise and its achievements.

e. Supporting research projects to investigate comprehensively and systematically current foreign investment practices and performance of American business with a view toward improving their economic and political efficacy. Such research could lead to a series of extremely useful pamphlets on "how to do business" in specific foreign countries.

C. Business Action Abroad

1. Private business abroad can counter the communist offensive most effectively by participating in the worldwide process of constructive change through increased private foreign investment and enlistment of private managerial and technical talents in the development of the less developed countries.

2. Our various private economic activities abroad are inevitably joined with the larger battle for the minds of men. By demonstrating that free enterprise can do an effective job in the field of economic development, American firms not only help dispel distrust and misunderstanding of the enterprise system abroad, but do much to win local support in foreign countries for the free as opposed to the totalitarian way of life.

3. But the injection of capital into a less developed country should not be viewed as the only propellant of economic development. The needs of the less developed world lie not only in additional capital and outlets for local products, but also in the development of the skills and habits of mind which are

- 18 -

necessary to apply capital productively.

4. For a variety of reasons, private capital has been reluctant to go to those areas where foreign investment is most needed. This has been basically due to conditions in the less developed countries themselves -- absence of political stability; lack of resourcefulness, organizational talent, and technical skills; persistence of social institutions and attitudes which are uncongenial to sustained economic growth; and acceptance of forms of economic organization which are hostile to private investment.

5. An important contribution of American business abroad to free world strength lies in finding better and more creative uses of the resources already employed and in improving the over-all quality and sophistication of overseas management policies and practices.

American business enterprise should demonstrate a willingness to negotiate with individuals and governments of less developed countries on a wide range of methods and techniques for making American management capabilities as well as capital available outside the framework of private foreign investment.

At the same time, overseas management should continuously seek to improve its business performance. This in itself could do much to improve the investment climate and to stimulate further economic growth under conditions of freedom.

The areas of management that can be improved are varied. They include:

a. Selecting and training American personnel sensitive to the cultural climate and national interests of the host country and competent in the field of government relations.

b. Participating, where possible and advantageous, with local capital in both the risks and opportunities of investment in order to foster a sense of partnership with the host country.

- 19 -

c. Expanding employment, training, and managerial opportunities open to local citizens and promoting modern management-worker relationships.

d. Assisting in the financing of locally-owned businesses and industries.

e. Contributing knowledge, experience, and advice to local entrepreneurs or investment institutions on industrial, commercial, and financial problems.

f. Fostering imaginative philanthropic programs in the fields of health, education and social welfare.

g. Focusing research and experience on the solution of problems in the area of cultural and human relations.

Many American firms are already doing much along these and similar lines. There are, however, few standards to follow, and the gap between the best and worst practices of overseas management is wide.

The social problems of American management in a less developed country should not be approached on an improvised basis, but must be studied with the same penetration and understanding as is given to financial and physical problems.

The development of systematic and well-defined policies and procedures for defining and meeting management's social responsibilities overseas could do much to improve American business performance abroad and to promote an environment favorable for further private investment.

5. American companies operating abroad should also be able to pool their resources, knowledge, and efforts to further common objectives on a systematic basis. Such cooperation may encounter a number of practical difficulties ranging from antitrust problems to the problem of maintaining a firm's competitive advantage. The benefits of organized and concerted action, however,

- 20 -

warrant an effort to overcome these difficulties.

The potential of a private cooperative effort has often been demonstrated in times of emergency. The Suez crisis, when many highly competitive firms worked together and with governments to assure Western Europe the supply of essential energy sources, provides one example.

But the cooperation required to meet communist economic and political warfare extends far beyond the normal commercial sphere. It could take many forms:

a. Two or more United States companies combining their efforts to tackle a project which may be too small for several companies to develop competitively, or too risky for one company to face alone.

b. Participation by a wide range of American firms in programs aimed at solving local cultural, social, and economic problems which are directly or indirectly related to business operations.

c. Development of consortium-type institutions which could make available to developing nations the best that American business has to offer in advice, technical and managerial talent, training, and other management and engineering services.

d. Promotion of formal contacts and a flow of information between domestic American business organizations and foreign institutions for the purpose of strengthening free enterprise forces abroad by fostering a better understanding of efficient methods of business operation and organization.

e. Exchange of information between American companies on methods for dealing with the variety of public relations and other problems

- 21 -

confronting day-to-day management overseas.

These and other forms of concerted and systematic action require only the will to cooperate and the institutional means to give it expression.

6. The action that American business abroad can take to counter the communist challenge is not limited to the less developed world. Free world economic growth may well require an international discipline which can be created only through the concerted action of the business forces of all nations.

- 22 -

APPENDIX

GUIDE TO SOURCES OF INFORMATION

Selected Bureaus and Offices of U. S. Government Department and Agencies

Bureau of Foreign Commerce of the Department of Commerce -- provides information and advisory services to business, the general public, and the Government regarding economic and trade conditions in all parts of the world.

Business and Defense Services Administration of the Department of Commerce -- responsible for stimulating the development of domestic industry and commerce by providing information and advisory services to American business and industry and by furnishing facilities by means of which the experience of American business may be brought to bear in the development of Government policies and programs.

Office for Private Enterprise of the International Cooperation Administration -- created in March 1959 for the purpose of enlisting actively the resources and talents of private enterprise in the development of free world countries.

Office of Private Cooperation of the United States Information Agency -- encourages private participation in United States international information programs.

Public Services Division of the Bureau of Public Affairs of the Department of State -- provides information and consultative services to private groups, organizations, and individuals interested in international affairs, and arranges for the presentation of their views to the Department of State.

- 23 -

Selected Bibliography

- Allen, Robert Loring -- "The Communist Economic Offensive," International Journal, Winter 1958-1959, pp. 1-10.
- Allen, Robert Loring -- "Economic Motives in Soviet Foreign Trade Policy," The Southern Economic Journal, October, 1958, pp. 189-201.
- Berliner, Joseph S. -- Soviet Economic Aid: The New Aid and Trade Policy in Underdeveloped Countries, New York, published for the Council on Foreign Relations by Frederick A. Praeger, Inc., 1958.
- Black, Eugene R. -- Address before 23d session of the Economic and Social Council of the United Nations, New York, April 18, 1957, issued by International Bank for Reconstruction and Development.
- Butler, W. Jack -- "Business Fights Communism Overseas," Harvard Business Review, July-August 1956, pp. 96-104.
- Chamber of Commerce of the United States -- Foreign Commerce Handbook: Basic Information and a Guide to Sources, Washington, D. C., January 1959.
- David, Donald K. -- "A Plan for Waging the Economic War," address before the Business Advisory Council, Hot Springs, Virginia, October 17, 1958, issued by the Committee for Economic Development.
- Expanding Private Investment for Free World Economic Growth, a special report prepared at the request of the Department of State under the direction of Ralph I. Straus, Special Consultant to the Under Secretary of State for Economic Affairs, Washington, D. C., April 1959.
- Fayerweather, John -- "Foreign Operations: A Guide for Top Management," Harvard Business Review, January-February 1957, pp. 127-135.
- Hagen, Everett E. -- "The Process of Economic Development," Economic Development and Cultural Change, University of Chicago, April 1957, pp. 193-215.
- Knorr, Klaus -- Ruble Diplomacy: Challenge to American Foreign Aid, Princeton University, Center of International Studies, November 1956.
- Mikesell, Raymond F. and Jack N. Behrman -- Financing Free World Trade with the Sino-Soviet Bloc, Princeton Studies in International Finance. No. 8, Princeton University, International Finance Section, Department of Economics and Sociology, 1958.
- Millikan, M. F., and W. W. Rostow -- "Foreign Aid: Next Phase," Foreign Affairs, April 1958, pp. 418-436.

- 24 -

Nielsen, Waldemar A. -- "Why We are losing the Ruble War," Harper's Magazine, September 1958, pp. 25-31.

Private Investment: The Key to International Industrial Development, ed. James Daniel, New York, New York, McGraw-Hill, 1958.

Report of the Committee on World Economic Practices, January 22, 1959, issued by The White House, March 2, 1959.

Research Institute of America, Inc. -- Communism's New Economic Challenge, Report to Management, January 15, 1959.

The Responsibilities of American Business Abroad, The Business Council for International Understanding, Columbia University, Arden House Conference, October 14-16, 1957.

Review of Foreign Policy, 1958, Hearings Before the Committee on Foreign Relations, U. S. Senate, 85th Congress (Part I), Washington, D. C., February and March 1958.

Rockefeller Brothers Fund -- Foreign Economic Policy for the Twentieth Century, Special Studies Report III, Garden City, New York, Doubleday & Co., 1958.

Sapir, Michael -- The New Role of the Soviets in the World Economy, New York, Committee for Economic Development, May 1958.

Strausz-Hupe, Robert -- "Protracted Conflict: A New Look at Communist Strategy," Orbis, A Quarterly Journal of World Affairs, University of Pennsylvania, Foreign Policy Research Institute, Spring 1958, pp. 1-31.

U. S. Department of State -- The Communist Economic Threat, Washington, D. C., March 1959.

U. S. Department of State -- The Sino-Soviet Economic Offensive in the Less Developed Countries, Washington, D. C., May 1958.

Zyzniewski, Stanley J. -- "Soviet Foreign Economic Policy," Political Science Quarterly, June 1958, pp. 206-233.

POLICY DECLARATIONS SUPPORTING
REPORT AND RECOMMENDATIONS
OF
SPECIAL COMMITTEE ON THE COMMUNIST ECONOMIC OFFENSIVE

Objectives of United States Foreign Policy

The broad objectives of United States foreign policy should be to maintain the security, territorial integrity and independence of the Nation and to promote conditions in which our people may constantly improve their well-being. In order to further these objectives the United States should strive to attain a peaceful and prosperous world. This can best be ensured by cooperation among nations based on mutual respect, trust and good will, and by fostering the concept of free, enlightened and competitive private enterprise, while recognizing the differences and difficulties in political and economic development of the various nations of the world.

A fundamental and continuing obstacle to the realization of such a world is the drive of communists for world domination, carried on in many areas by aggression, subversion and economic penetration. Accordingly, an immediate goal of United States foreign policy must be to meet the threats of aggressive communist imperialism.

We cannot be strong abroad if we are not strong at home. It is imperative that the power and leadership of the United States and all of the instrumentalities to make them effective be adequate to support the objectives and commitments of our foreign policy.

Principles of United States Foreign Policy

The United States should continue to base its foreign policy on principles rather than on expediency. The following principles, several of which are already recognized by treaties and international agreements to which the United States is a party, should guide the conduct of the United States in its foreign relations:

Every nation has the right to govern itself, and its people have the right freely to choose their own form of government. Independence or self-government should be granted to all dependent peoples who are qualified to govern themselves and who wish to do so. Sovereign rights and self-government should eventually be restored to all peoples who have been deprived of them by force.

Each nation must recognize the sovereign equality of every other nation, large or small. Nations should settle their disputes by peaceful means and in such manner that international peace, security and justice are not endangered. All nations should refrain from the threat or use of force against the territorial integrity or political

independence of any nation, and no territorial changes should take place unless they accord with the freely expressed wishes of the peoples concerned. Every nation, however, retains the inherent right of both individual and collective self-defense in the event of attack.

Nations should cooperate peacefully with each other to ensure adoption and continuous respect for these principles, and all obligations they may undertake with respect thereto should be carried out in good faith. In this way, the rule of law can ultimately supplant the rule of force as the international standard of conduct for all states. All peoples everywhere may then enjoy peace and freedom and a progressive expansion in the output and exchange of useful goods and services.

Communist Nations

The Chamber believes that there is no evidence of any change in the ultimate objectives or strategy of militant international communism. The communist program of world conquest and violation of the liberties of men and nations is being prosecuted with growing vigor by a combination of political, military, technical, economic and psychological means.

The increasing emphasis of the Soviet Union on economic tactics has created new dangers and challenges for United States foreign policy, particularly in the lesser-developed areas. The communist economic offensive, now a major instrument of Soviet foreign policy, represents an effort to employ the economic and industrial capacity of the communist bloc for political and strategic purposes.

The United States should encourage the development of conditions that may induce the Soviet Union and other communist-dominated states to change their basic policies of aggression and subversion, and to enter in good faith into peaceful and constructive cooperation with the rest of the world. Accordingly, the United States should:

1. Persist in its determination to prevent the spread of international communism.
2. Attain and keep the lead in military and related scientific strength, and help other nations opposed to communist aggression to build up and maintain their military and economic strength. A strong free world is the best deterrent against any further communist aggression.
3. Continue to negotiate with the communist nations for truly effective solutions—not mere paper agreements—and thus help to convince the world of our sincere desire for peace.

- 2 -

4. Demonstrate that the free enterprise system is far superior to the totalitarian system both in increasing economic strength and in promoting human welfare.
5. Encourage, wherever possible and to the extent practicable, other communist countries to think and act for themselves in the true interests of their own peoples and of a peaceful world order.

Businessmen and the Conduct of Foreign Policy

The Chamber believes that the business community has a great stake in United States foreign policy, and supports efforts to expand the role of private enterprise in advancing the foreign policy objectives of the nation.

There should be closer and strengthened liaison between government and business in order that businessmen can obtain a better understanding of official policy and at the same time communicate and contribute their experiences and views toward its formulation and implementation. It is important that the businessman become a respected, articulate, forthright and effective participant in foreign policy. Moreover, our government should more fully recognize business as a useful partner in implementing foreign policy.

Every citizen should conduct his affairs, both at home and abroad, in full realization of our nation's influence and responsibilities in the world, and in accordance with the national interest. At the same time, an obligation of foreign policy should be the attainment of just treatment for United States citizens in their persons and property when living, traveling or doing business abroad.

It is essential that our citizenry be widely informed on world affairs, and that public opinion be realistic and responsible. The Chamber accepts the task of doing its part in forming such an opinion.

Our individual citizens, businessmen, and local chambers can contribute much in this respect. International understanding and good will can be promoted by personal contacts and foreign travel. Among the important ways in bringing about better cooperation and understanding are the cordial reception and treatment of foreign visitors,

friendly and courteous conduct on the part of our citizens when visiting abroad, and constructive use by business and industry of its many and varied representations in other countries.

Local chambers are urged to take an active role in making United States citizens ambassadors of good will when visiting abroad and in extending typical American hospitality to our many foreign guests in this country.

REPORT TO THE BOARD OF DIRECTORS

No. 3 page 1

Date Mailed to Board Members: June 16, 1959 Date of Board Meeting: June 26-27, 1959

Report of: Special Committee on the Communist Economic Offensive

On: What the Communist Offensive Means to American Business

The report of the National Chamber's special Committee on the Communist Economic Offensive is attached.

The report seeks to:

1. Outline the implications of communism's new economic drive which should be of concern to American business; and
2. Provide guidelines for more effective action by private business in responding to the Sino-Soviet challenge.

The Committee's recommendations for action by the National Chamber are presented below. This action is recommended as in furtherance of Chamber policy, especially declarations on "Objectives of United States Foreign Policy," "Principles of United States Foreign Policy," "Communist Nations," and "Businessmen and the Conduct of Foreign Policy." The text of these declarations is shown after the Committee's report.

The following is submitted in the conviction that the Chamber of Commerce of the United States, as the most representative American business organization, can do much to focus the attention of business on the communist challenge and to serve as a point of contact for American firms interested in joining their talents to promote national objectives overseas:

A. It is recommended that the Board of Directors approve the following action by the National Chamber:

1. Publish the Committee's report with as wide a distribution as possible for the purpose of promoting a greater awareness of the challenge to private enterprise posed by the communist offensive.
2. Provide business, through appropriate channels of communication, information on:
 - a. Communist techniques, methods, and vulnerabilities;
 - b. U.S. Government and business practices which impede our over-all objectives;
 - c. Government and business policies and practices which help promote national objectives abroad; and

No. 3 page 2

d. General foreign policy problems and matters which are of concern to American business.

B. It is further recommended that the Chamber's Management consider the feasibility of the following additional courses of action:

1. Encourage American firms to exchange and pool information on their experiences and problems in specific foreign areas and on methods for coping with these problems.

2. Increase contacts with appropriate government bodies for the purpose of:

a. Obtaining and promoting a better understanding of official policies and actions to meet communist competition; and

b. Keeping government officials informed on business plans and actions in this field.

3. Encourage the participation of private firms and business leaders in government information programs designed to promote a better understanding abroad of the United States, its objectives and policies, and its free enterprise system.

4. Sponsor a meeting or a series of meetings of representatives of American firms operating abroad to discuss and formulate specific forms of cooperative action in particular countries or regions.

J. WARREN NYSTROM, Secretary
Special Committee on the Communist
Economic Offensive

ERWIN D. CANHAM, Chairman
Special Committee on the Communist
Economic Offensive

"WHAT THE COMMUNIST OFFENSIVE MEANS TO AMERICAN BUSINESS"

-- A report of a special National Chamber committee
organized to analyze the communist economic
offensive.

June, 1959